

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 FEA-01 TRSY-06 AEC-07 AID-05

CEA-01 CIAE-00 CIEP-02 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

RSC-01 SAM-01 OES-05 SP-02 SS-15 STR-04 FRB-01 PA-02

USIA-15 PRS-01 TAR-01 OPIC-06 SAJ-01 /132 W

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R 221734Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7416

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY DUBLIN

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY ROME

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EGEN, GW, IR

SUBJECT: SPIEGEL INTERVIEW WITH THE SHAH

1. BEGIN SUMMARY. IN A RECENT INTERVIEW INDER
SPIEGEL THE SHAH OF IRAN MADE THE FOLLOWING POINTS
WITH REGARD TO GERMAN/IRANIAN FOREIGN ECONOMIC RELATIONS.
HE REAFFIRMED THE IMPORTANCE OF THE PROPOSED 25 MILLION
TON PETROLEUM REFINERY AT BUSHIR. HE STATED HIS
INTENTION TO INSIST ON A PREFERENTIAL ARRANGEMENT
WITH THE EUROPEAN COMMUNITY. HE EXPRESSED SURPRISE
AT THE NEWS THAT THE DEUTSCHE BANK HAD BOUGHT THE
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29 PERCENT OF DAIMLER-BENZ WHICH IRAN HAD BEEN INTERESTED

IN. HE AGREED WITH CHANCELLOR SCHMIDT'S EXPRESSED INTENTION TO PREVENT FOREIGNERS FROM OBTAINING CONTROL OF VITAL GERMAN INDUSTRIES. HE PRAISED THE FRENCH FOR THEIR PERSPICACITY IN DEALING WITH IRAN. HE INSINUATED THAT THE FRG HAD FOLLOWED A COVERT POLICY OF CONFRONTATION WITH IRAN IN THE OIL POLICY SPHERE. AND HE DEFENDED THE IRANIAN SELECTION OF THE FRENCHSECAM COLOR TV SYSTEM OVER THE GERMAN PAL SYSTEM. END SUMMARY.

2. THE MOST RECENT ISSUE OF THE GERMAN WEEKLY NEWS MAGAZINE DER SPIEGEL CONTAINS AN INTERVIEW WITH THE SHAH OF IRAN. THE FOLLOWING IS AN INFORMAL EMBASSY TRANSLATION OF EXCERPTS FROM THIS INTERVIEW DEALING WITH GERMAN/IRANIAN FOREIGN ECONOMIC RELATIONS.

QUESTION: LAST SPRING, A DELEGATION OF GERMAN INDUSTRIALISTS VISITED YOUR COUNTRY, A GERMAN DELEGATION OF SUCH TOP LEVEL COMPOSITION AS NEVER BEFORE AND NEVER THEREAFTER VISITED A TRADING PARTNER. AND YET, THE ENTHUSIASM ABOUT A NEW TRADING ERA SEEMS TO HAVE CHANGED INTO DISAPPOINTMENT. WHAT WENT WRONG?

SHAH: I DON'T THINK ANYTHING WENT WRONG. EVERYTHING IS GOING FORWARD, BUT WE ARE STILL AWAITING THE GERMAN DECISION TO BUILD THE REFINERY IN BUSHIR.

QUESTION: BUT, AS YOU KNOW, THERE IS STILL THE UNSOLVED QUESTION OF EC TARIFFS ON IMPORTS OF PETROLEUM PRODUCTS.

SHAH: WELL, THESE WILL HAVE TO BE SETTLED WITHIN THE EC ORGANIZATIONS. IN THE FUTURE, MY COUNTRY WILL ADOPT A MUCH HARDER LINE VIS-A-VIS THE COMMON MARKET, SINCE WE HAVE THE ABSOLUTE RIGHT TO ASK FOR PREFERENTIAL TREATMENT IN THE MARKET. AFTER ALL, IN A FEW YEARS, WE WILL COVER UP TO 50 PERCENT OF THE NATURAL GAS REQUIREMENTS IN EUROPE. ONE CANNOT SEPARATE EUROPE'S FATE FROM MY COUNTRY - - AND VICE VERSA.

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QUESTION: WELL, OUR ECONOMICS MINISTER SAYS THAT IN THE NEGOTIATIONS IN BRUSSELS OVER THE ELIMINATION OF TARIFFS FOR THE PRODUCTS OF THIS REFINERY THE POSITIONS ARE VERY HARD.

SHAH: FRANCE HAS PROMISED TO SUPPORT OUR DEMAND FOR PREFERENTIAL TREATMENT IN THE EC. IF YOU SUPPORT THIS

TOO, THEN THERE WILL BE NO PROBLEM.

QUESTION: THE INDUSTRIALISTS WITH WHOM WE SPOKE BELIEVE THAT THE BASIS OF THE ENTIRE PROJECT HAS CHANGED. WHEN THE NEGOTIATIONS BEGAN, IT WAS TO BE A JOINT VENTURE. THEN YOU ISSUED THE NEW PETROLEUM LAW WHICH EXCLUDES THE PARTICIPATION OF FOREIGNERS IN IRANIAN OIL PRODUCTION AND PROCESSING.

SHAH: THIS IS NOT TRUE. IT IS A JOINT VENTURE. THE OWNERSHIP IN THE PLANT WILL BE IMMEDIATELY TRANSFERRED

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R 221734Z JAN 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7417

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY DUBLIN

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TO US, AND THE CAPITAL INPUT WILL HAVE BEEN PAID OFF IN ABOUT 15 YEARS.

QUESTION: GERMAN BUSINESSMEN TOLD US THAT THEY MIGHT NOT BE INTERESTED IN THE PROJECT ANY LONGER IF YOU WOULD NOT CONCEDE PREFERENTIAL PRICES FOR THE PETROLEUM FOR THIS REFINERY.

SHAH: AT WHAT PRICE DO YOU BUY THE OTHER OIL THEN WHICH YOU IMPORT?

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QUESTION: THERE WILL BE NO PREFERENTIAL PRICES?

SHAH: THE PLANT WILL NOT ONLY CONSIST OF A REFINERY, IT WILL BE A PETRO-CHEMICAL PLANT SO THAT A LOT OF MONEY COULD BE EARNED WITH BY-PRODUCTS. EVERYTHING WILL DEPEND ON HOW MODERN THE PLANT IS. IF THE PLANT IS MODERN AND AUTOMATED, THEN YOU WILL EARN A LOT OF MONEY.

QUESTION: THE NEGOTIATIONS BEGIN AGAIN NOW FROM SCRATCH, BUT THE GERMAN PARTNERS ARE PESSIMISTIC; THEY ARE CONCERNED THAT THE WHOLE THING WILL NO LONGER ADD UP.

SHAH: THAT WOULD BE A SHAME FOR BOTH OF US.

QUESTION: TOGETHER WITH KRUPP YOU HAVE FOUNDED A JOINT NEW FIRM IN SWITZERLAND. WHAT EXACTLY IS THE TASK OF THIS FIRM?

SHAH: ITS TASK IS TO OPERATE JOINT VENTURES ABROAD, EITHER IN IRAN OR ELSEWHERE, SOUTH AMERICA, FOR INSTANCE.

QUESTION: JOINT VENTURES FOR THE CONSTRUCTION OF NEW STEEL MILLS?

SHAH: FOR EXAMPLE, OR OTHER THINGS IN WHICH KRUPP OR WE ARE INTERESTED.

QUESTION: THERE ARE NO SPECIAL FIELDS OR PRODUCTS TAKEN INTO CONSIDERATION?

SHAH: NO, NOT YET.

QUESTION: IN OUR LAST SPIEGEL DISCUSSION A YEAR AGO,
YOU TOLD US THAT YOU WERE INTERESTED IN BUYING STOCKS OF
LEADING GERMAN INDUSTRIAL COMPANIES, LIKE BAYER FOR EX-
AMPLE. BUT YOU DID NOT DO SO, WITH THE EXCEPTION OF
YOUR INVESTMENT IN KRUPP. WHY NOT?
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SHAH: WE HAD NO OFFERS.

QUESTION: BUT YOU COULD GO TO THE MARKET AND BUY.

SHAH: WE COULD DO THAT. WE HAVE TRIED IT. NOW I CAN
TELL YOU THE STORY: WE TRIED TO PURCHASE THE
QUANDT SHARES IN MERCEDES, BUT WE WANTED TO BUY AT
MARKET VALUE. BUT SUDDENLY HE SOLD THESE STOCKS AT THE
PRICE WHICH HE DEMANDED. BUT WHAT CAN KUWAIT DO FOR
MERCEDES?

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R 221734Z JAN 75

FM AMEMBASSY BONN

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INFO AMEMBASSY LONDON
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BANK HAS JUST ACQUIRED 29 PERCENT OF THE FLICK SHARES,
OBVIOUSLY IN ORDER TO PREVENT A KUWAIT-IRANIAN MAJORITY.

SHAH: THE DEUTSCHE BANK HAS PURCHASED 29 PERCENT? FROM
WHOM?

QUESTION: 29 PERCENT OF MERCEDES SHARES FROM FLICK.

SHAH: FLICK HAS SOLD?

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QUESTION: YES.

SHA: AHA?

QUESTION: YES.

SHAH: WELL, WE HAVE NOTHING TO SAY.

QUESTION: YOU MADE AN OFFER TO THE FLICK FAMILY?

SHAH: WE HAD TALKS ABOUT IT, THIS IS ALL I CAN SAY.

BUT IF THE DEUTSCHE BANK NOW POSSESSES THIS MAJORITY,
WE HAVE NOTHING TO SAY.

QUESTION: AREN'T YOU DISAPPOINTED?

SHAH: NOT AT ALL DISAPPOINTED. WHY SHOULD WE BE? WE
HAVE GENERAL MOTORS IN OUR COUNTRY TO PRODUCE THE HEAVY
VEHICLES, BUT YOU LOSE A MARKET FOR 100,000 MERCEDES
CARS IN IRAN.

QUESTION: FEDERAL CHANCELLOR SCHMIDT TOLD US ONCE

THAT HE WELCOMED INVESTMENTS FROM THE OIL COUNTRIES IN GERMAN INDUSTRY - - BUT NOT IN ALL AREAS. HE WOULD NOT PERMIT THE SALE OF VITAL FIRMS LIKE THE KRAFTWERK UNION WHICH PRODUCES OUR NUCLEAR POWER PLANTS. DID YOU HAVE ANY INTEREST IN BUYING INTO THIS FIRM WHERE 50 PERCENT ARE ISFOR SALE AND WHERE THIS FIRM DELIVERS A NUCLEAR POWER PLANT TO YOU?

SHAH: WE NEVER CONSIDERED THIS. I AGREE TOTALLY WITH WHAT THE CHANCELLOR SAID THAT A COUNTRY MUST KEEP ITS VITAL INDUSTRIES EITHER UNDER PUBLIC CONTROL OR AT LEAST UNDER THE CONTROL OF ITS OWN CITIZENS. IF WE BUY INTO SUCH FIRMS, WE DO NOT DO IT TO INFILTRATE INTO THE ECONOMY OF ANOTHER COUNTRY OR TO DOMINATE IT. I CAN REMEMBER WHAT WE DID WITH THE FOREIGN FIRMS WHEN THEY ASSUMED DOMINATING POSITIONS. WE HAVE SIMPLY NATIONALIZED THEM. YOU COULD DO THE SAME THING.

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QUESTION: EXACTLY. ON THE OTHER HAND, FRANCE ACCEPTED YOU INTO ITS URANIUM ENRICHMENT COMPANY, AND LAST MONTH FRENCH PRIME MINISTER CHIRAC SUCCEEDED IN OBTAINING ORDERS FROM YOU FOR FRENCH INDUSTRY IN A MAGNITUDE OF SIX BILLION DOLLARS - - THE LARGEST CONTRACT THE FRENCH EVER CONCLUDED. DO YOU INTEND TO PLAY THE FRENCH GAME AND MAKE FRANCE YOUR MAIN INDUSTRIAL SUPPLIER?

SHAH: THIS IS REALLY NOT HOW I WOULD SAY IT. WE HAVE CLOSE RELATIONS WITH FRANCE, BECAUSE THEY WERE DYNAMIC AND HAVE GOTTEN DOWN TO BUSINESS WITH SHORTCUTS AND WITHOUT SAYING " WE HAVE DIFFICULTIES HERE, WE HAVE DIFFICULTIES THERE". THEY SIMPLY CAME AND SIGNED THE DOCUMENTS, AND EVERYTHING GOES FORWARD. WE WOULD DO THE SAME IF GERMANY WERE READY TO ACT THIS WAY.

QUESTION: GERMAN BUSINESSMEN TOLD US THAT YOU WERE ANNOYED ABOUT THE DIFFICULT DECISION-MAKING PROCESS IN OUR PRIVATE ENTERPRISE SYSTEM? IS THERE SOMETHING TO IT?

SHAH: THIS COULD BE ONE OF THE DIFFICULTIES.

QUESTION: THE GERMANS MAINTAIN THAT THEIR PAL COLOR TV SYSTEM IS SUPERIOR TO THE FRENCH SECAM COLOR TV SYSTEM, AND THAT YOUR EXPERTS HAD DECIDED IN FAVOR OF PAL. AND YET, YOU DECIDED IN FAVOR OF SECAM.

SHAH: THEY REALLY HAD NOT GIVEN PRECEDENCE TO PAL. NOW, A YEAR AGO THEY STILL SAID THAT PAL HAD SOME ADVANTAGES,

FOR INSTANCE PROJECTION ON A SCREEN FOR EDUCATIONAL
PURPOSES. THIS IS NOW ACCOMPLISHED ALSO WITH SECAM.

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INFO AMEMBASSY LONDON

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QUESTION: M. CHIRAC WAS PARTICULARLY PROUD OF HAVING
OBTAINED THE AGREEMENT FOR PURCHASING SECAM FROM YOU
AND HE ATTACHED POLITICAL VALUE TO IT.

SHAH: I THINK THAT'S NORMAL, SINCE FRANCE HAS PURSUED
A VERY NEUTRAL COURSE IN OIL POLICY. FRANCE NEVER
ATTEMPTED A CONFRONTATION WITH US.

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QUESTION: GERMANY HAS NEVER ATTEMPTED IT EITHER.

SHAH: NOT OPENLY.

QUESTION: COULD YOU EXPLAIN THAT? AT THE TIME OF THE
NEAR EAST WAR, BONN EVEN RISKED AN AFFRONT TO ITS BEST
ALLY, TO WASHINGTON.

SHAH: I WOULD PREFER NOT TO GIVE ANY DETAILS.

QUESTION: TO GET BACK TO SECAM; GERMAN BUSINESSMEN
CONSIDERED YOUR DECISION IN FAVOR OF SECAM LIKE A
"SLAP IN THE FACE". WAS THAT INTENDED?

SHAH: NO, NO.

QUESTION: COULDN'T PERSONAL REASONS HAVE ALSO PLAYED
A ROLE? THE FRENCH SAY THAT YOU SPEAK FRENCH LIKE A
FRENCHMAN. YOU LIKE TO READ FRENCH NEWSPAPERS AND
BOOKS, YOU LISTEN TO FRENCH RADIO STATIONS AND YOU
FEEL LINKED TO THE FRENCH CULTURE. THIS COULD EXPLAIN
A CERTAIN PREFERENCE, COULDN'T IT?

SHAH: NO, NO. I NEVER MIX SENTIMENT WITH POLITICS AND
ECONOMICS.

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